

TENNESSEE REGULATORY AUTHORITY

Deborah Taylor Tate, Chairman
Pat Miller, Director
Sara Kyle, Director
Ron Jones, Director



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460 James Robertson Parkway
Nashville, Tennessee 37243-0505

MEMORANDUM

TO Chairman Deborah Taylor Tate
Director Sara Kyle
Director Ron Jones

FROM Eddie Roberson, Chief, Consumer Services and External Affairs Division
Kim Beals, Counsel *JB*

DATE February 17, 2004

SUBJECT Settlement with TransWorld Network Corp (Docket No 04-00040)

Attached is a Settlement Agreement between the Consumer Services and External Affairs Division ("Staff") and TransWorld Network Corp (hereafter referred to as "TransWorld") for violations of Tenn Code Ann §65-4-201 and Tenn Comp R & Regs 1220-4-2-57(2)

One (1) consumer complaint was filed on November 6, 2003 against TransWorld with the Authority. In the course of investigating this complaint, Staff discovered that TransWorld had been providing telecommunications services in the State without proper authority for at least 365 days. Staff informed TransWorld of its failure to obtain a certificate of public convenience and necessity. TransWorld immediately expressed an interest to obtain the necessary certification with the Authority in order to settle its past violations. No additional complaints have been received against TransWorld.

This Settlement requires TransWorld to make a payment of \$9,125 to the Authority along with assurances that it will fully comply with applicable state law. The terms of this Settlement require TransWorld to pay \$3,000 on the first day of the month following the date the Authority approves the Settlement with the remaining balance to be paid in monthly installments of \$500. A representative for TransWorld will be available telephonically for the February 23, 2004 Conference to answer any questions you may have.

We have been informed by the Telecommunications Division that TransWorld's reseller application is complete. Considering all relevant facts, the Staff believes the terms of this Settlement are fair and reasonable. Staff submits the attached Settlement Agreement for your deliberation at the February 23, 2004 Authority Conference.

cc Colin Wood, CEO, TransWorld
Richard Collier

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

IN RE:

**STAFF INVESTIGATION OF TRANSWORLD NETWORK
CORP. FOR VIOLATION OF TENN. CODE ANN. § 65-4-201
AND TENN. COMP. R. & REGS. 1220-4-2-.57(2)**

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**DOCKET NO.
04-00040**

SETTLEMENT AGREEMENT

This Settlement Agreement, which has been voluntarily entered into between the Consumer Services Division ("CSD") of the Tennessee Regulatory Authority ("TRA" or "Authority") and TransWorld Network Corp ("TransWorld" or the "Company"), resolves all issues and causes of action by the TRA presented by TransWorld's noncompliance with Tenn Code Ann § 65-4-201 and Tenn Comp R & Regs 1220-4-2- 57(2) (operating without a certificate of public convenience and necessity or "CCN") through the date of the execution of this Settlement Agreement. This Settlement Agreement is subject to the approval of the Directors of the TRA.

The CSD received a complaint on November 6, 2003 alleging statutory violations by Mountain Communications Long Distance ("Mountain"). Upon investigation of the complaint, the CSD discovered that Mountain is actually Mountain Electric Cooperative, which is an agent of TransWorld. On December 15, 2003, the CSD also discovered that, on September 7, 2000, TransWorld had advised the TRA in a letter that it was relinquishing its authority to operate in Tennessee, indicating that TransWorld may have been operating in Tennessee without a CCN in violation of Tenn Code Ann § 65-4-201 and TRA Rule 1220-4-2- 57(2). Thereafter, Staff promptly sent a request to TransWorld to provide proof to the TRA that the Company has authority to operate in Tennessee or contact the CSD to discuss violations of TRA Rule 1220-4-2- 57(2).

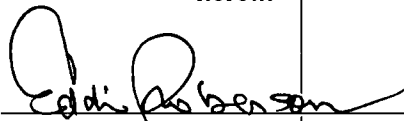
On December 29, 2003, CSD Staff spoke to Ms Lourdes Vinas, Director of Regulatory & Compliance for TransWorld, regarding the status of the Company's CCN. From the information provided, Staff concluded that, after surrendering its authority to operate in September 2000, TransWorld had commenced providing unauthorized services in the state of Tennessee and had been doing so since at least September 1, 2002. TransWorld was instructed to initiate immediately the application process for a CCN. On January 2, 2004, the TRA received a complete CCN application from TransWorld. The CSD sent a letter that same day informing TransWorld that the CSD would oppose TransWorld's application for a CCN until resolution of the Company's violation of TRA Rule 1220-4-2- 57(2).

Tenn. Code Ann. § 65-4-120 permits the TRA to impose a penalty or fine in the amount of fifty dollars per day upon any public utility in violation of any rule or requirement of the TRA. During a conference call with Ms. Vinas on January 21, 2004, TransWorld acknowledged that it had provided unauthorized telecommunications services in the state of Tennessee for a minimum of 365 days, resulting in a total penalty of \$18,250. After consideration of the factors provided in Tenn. Code Ann. § 65-4-116(b), including the Company's size, financial status, good faith, and the gravity of the violations, Dr. Eddie Roberson, Chief of the TRA's Consumer Services Division, proposed a settlement which results in a total penalty of \$9,125. Ms. Vinas called Dr. Roberson on January 26, 2004 and agreed, on behalf of TransWorld, to the payment of a penalty in the amount of \$9,125.

In an effort to resolve all alleged violations noted in this Settlement Agreement, the CSD and TransWorld agree to settle this matter based upon the following acknowledgements and terms, subject to approval by the Directors of the TRA:

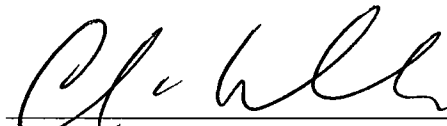
1. TransWorld agrees to pay to the TRA the sum of \$9,125 (the "Settlement Payment"). TransWorld will make an initial payment of \$3,000 to the Office of the Chairman of the TRA no later than the first day of the month following the date the panel of Directors assigned to this Docket approves this Settlement Agreement. TransWorld will pay the remaining \$6,125 in twelve monthly installments of \$500, remitted to the TRA no later than the first day of the next twelve months, the thirteenth and final monthly payment being \$125.

- 2 Upon TRA approval of TransWorld's petition for a CCN in TRA Docket No 04-00001, TransWorld agrees, henceforth, to remain in compliance with all the statutory and regulatory requirements of the TRA
- 3 In the event that TransWorld merges or consolidates with or transfers its assets to another firm, corporation or entity, TransWorld or its successor shall remain responsible for fully complying with the terms and conditions of the Settlement Agreement TransWorld shall so notify the CSD no later than ten (10) days prior to the completion of such transaction
- 4 TransWorld agrees that a company representative will attend the Authority Conference during which the Directors consider this Settlement Agreement Such attendance may be by telephone
- 5 Compliance with all terms and conditions of this Settlement Agreement by TransWorld shall be deemed a full settlement, release, accord and satisfaction of all liability for the aforementioned violations and TransWorld shall be excused from further proceedings in this matter
- 6 In the event that TransWorld fails to comply with the terms and conditions of this Settlement Agreement, the TRA reserves the right to re-open this Docket TransWorld shall pay any and all costs incurred by the TRA to enforce the Settlement Agreement
- 7 This Settlement Agreement represents the entire agreement between the parties, and there are no representations, agreements, arrangements or understandings, oral or written, between the parties relating to the subject matter of this Settlement Agreement which are not fully expressed herein or attached hereto
- 8 If any clause, provision or section of this Settlement Agreement shall, for any reason, be held illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect any other clause, provision or section of this Settlement Agreement and this Settlement Agreement shall be construed and enforced as if such illegal, invalid or unenforceable clause, section or other provision had not been contained herein



Eddie Roberson
Chief, Consumer Services Division
Tennessee Regulatory Authority

2-17-04
Date



Signature

COLIN WOOD
Print Name

CEO
Print Title

FEB. 11, 2004
Date